



## Department of Energy

Washington, DC 20585

SEP 27 2002

### MEMORANDUM FOR DISTRIBUTION

FROM:

BRUCE M. CARNES *[Signature]*  
DIRECTOR, OFFICE OF MANAGEMENT, BUDGET  
AND EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT:

Support Cost Reported by Functional Activity FY 2002 Submission

This memorandum and attachment provide guidance for preparation and submission of the FY 2002 Support Cost Reported by Functional Activity. This submission provides support costs, classified into 22 Functional activities, for 30 of our largest contractors. This data allows the Department to identify and analyze the cost of supporting mission programs at the Department's largest sites using a common and consistent set of definitions. This report's data promotes a better understanding of support costs and reveals the magnitude and trends underlying specific activities.

Timely and accurate submission of cost data continues to be very important to the Department. This cost information provides insight to a large part of DOE's budget, which loses visibility in the budget and financial reporting systems, and is requested annually by the House Energy and Water Development Appropriations Committee. In addition, the General Accounting Office (GAO) conducted a review of our management of support cost and concluded that the Support Cost Reported By Functional Activity provides the Department with a useful tool to analyze and control support cost. The GAO recommends that, "the Secretary of Energy direct the Chief Financial Officer to analyze the merits and site specific initiatives implemented to manage support related cost, identify those that have broader applicability within DOE, and work with program officials to promote those most likely to reduce support related cost."

Entry of data into the Functional Cost Web Page is to be completed by December 13, 2002. Also, please submit your site profile through e-mail ([Richard.Heller@hq.doe.gov](mailto:Richard.Heller@hq.doe.gov)) by December 13, 2002. If you have any questions, please call Richard Heller at (301) 903-4422 or Ben Chatterson at (301) 903-4184.

Attachment



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## FUNCTIONAL SUPPORT COST REPORT:

### OPERATIONS/FIELD OFFICE AND MAJOR SITE CONTRACTOR

Ames Laboratory  
Argonne National Laboratory  
Bettis Atomic Power Laboratory (PNR)  
Brookhaven National Laboratory  
Fermi National Accelerator Laboratory  
Fernald Environmental Management Project  
Golden  
Hanford Site

Idaho National Engineering and Environmental Lab  
Kansas City Plant  
Knolls Atomic Power Laboratory (SNR)  
Lawrence Berkeley National Laboratory  
Lawrence Livermore National Laboratory  
Los Alamos National Laboratory  
Mound  
Nevada Test Site  
Oak Ridge Environmental Management  
Enrichment Facility  
Oak Ridge National Laboratory  
Pacific Northwest National Laboratory  
Pantex Plant  
Princeton Plasma Physics Laboratory  
Rocky Flats Plant  
Sandia National Laboratories  
Savannah River Site

Strategic Petroleum Reserve

Stanford Linear Accelerator  
Waste Isolation Pilot Plant  
West Valley Demonstration Project  
Yucca Mountain  
Y-12 Plant

TOTAL OF 30 SUBMISSIONS

Iowa State University  
University of Chicago  
Bechtel  
Brookhaven Science Associates  
University Research Associates  
Fluor Fernald  
National Renewable Energy Lab  
Fluor-Daniel  
Bechtel Hanford Incorporated  
Bechtel BWXT Idaho LLC  
Allied Signal, FM&T  
Lockheed Martin - KAPL  
University of California  
University of California  
University of California  
Babcock and Wilcox  
Bechtel Nevada

Bethel Jacobs  
UT-Battelle, LLC  
Battelle Memorial Institute  
BWXT  
Princeton University  
Kaiser Hill  
Lockheed Martin Sandia Corp  
Westinghouse Electrical Corp.  
Wachenhut Services, Inc.  
Dyn McDermott Petroleum  
Operations Co  
Stanford University  
Westinghouse Electric Corp.  
West Valley Nuclear  
Bechtel-SAIC  
BWXT



## **Department of Energy**

### **Functional Support Cost Reporting Guidance**

This attachment provides overall guidance for preparation of the Functional Support Cost Report, including procedures for submitting the data. Field offices are responsible for the quality of the data, site profiles, preparing the report, and submission of the data.

#### **Sites Required**

Costs are to be reported by all contractors as specified in this attachment. Reported costs for Management and Integrating (M&I) contractors should reflect the total site and incorporate all prime subcontractors.

#### **Reporting of Support Cost and Mission Specific Cost**

For purposes of determining Functional cost, contractors will classify their cost as either mission specific or as support cost. Support costs are classified as 22 Functional Support cost elements grouped under three categories: General, Mission, and Site Specific. Mission Specific are classified in two categories; Capital/Construction, and Mission Specific Operating.

Classification of cost shall be determined strictly in accordance with the definitions for Functional cost elements and without regard to funding source, or classification as direct or indirect cost. In addition, Costs are reported on a prime basis, rather than fully distributed cost.

Do not report fully loaded costs for either mission direct or support areas. Since most accounting systems lose the identity of distributed cost, it is essential to classify the cost in the defined categories prior to distributions. This assures that all costs are classified according to the definitions of the 22 Functional Support cost elements, or Mission Specific.

Report FY 2002 actual costs by functional support cost element for each of the major categories using the exact structure and formats provided in the Functional Cost Web Page.

Functional support costs should be identified as much as possible using the contractors' existing accounting systems and overlaying financial structure. This structure may be organization, Work Breakdown Structure, cost type, or a combination. In any case, reported costs need to be traceable (through mapping) to the accounting records, either directly or by using standard reconciliation methods, and reconcilable to the total site costs shown in the Management Analysis Reporting System (MARS).

Costs are reported by functional classification regardless of fund source. For example, costs for Environmental Support and for Maintenance are reported in the respective functional support element, and are not included in the mission direct category; therefore, Mission Direct costs for the environmental program do not include costs for environmental support, maintenance, etc. Many direct funded activities may be classified in a "support" category rather than as "mission direct."

Reported data should also be based on gross costs; miscellaneous cash reimbursements or other collections should be ignored.

When reporting costs, please note that: payroll taxes and benefits will follow labor dollars; materials, travel, etc., should be reported in the functional support element that consumes the resource; and Prime Capital and Construction costs will be reported as a separate category.



The current link is: <https://146.138.254.46/>

Richard Heller (301-903-4422) will control who has access to log on to the system at each site. A login ID and password will be provided to each field site contact from the FY 2001 report. Additional IDs can be made available upon request.

### **Peer Reviews**

Peer reviews were designed by the Financial Management Systems Improvement Council (FMSIC) to enlist contractors from several DOE locations to review the functional cost methodology at another DOE site and verify that the data has been collected consistent with our established guidelines and definitions.

The General Accounting Office (GAO) has questioned the Department regarding the fact that we have not gone out to our contractors and done detailed reviews of their functional cost data. Our response has been that peer reviews are conducted within the Department and this provides us with an adequate comfort level that the data is being reviewed for accuracy, completeness, and consistency across the 30 sites that submit functional cost data.

The Department expects full cooperation regarding participation in peer reviews and strongly supports FMSIC in their efforts to schedule and monitor functional support cost peer reviews as outlined to the GAO.



## FUNCTIONAL COST REPORT - INSTRUCTIONS FOR SITE PROFILE

The purpose of the site profile is to assist in HQ understanding of the submissions and to help with the defense of Department-wide total functional support costs before Congress. The site profile should be as succinct as possible (preferably not more than two pages) and should be understandable by a reader relatively unfamiliar with your site. More specific guidance for the site profiles is provided below. Note that the following format is considered a minimum for the site profile, but that additional information may be provided. Guidance on electronic submission of the site profile is provided in Attachment B.

**Background** - In this section, provide a very brief description of the mission of the site and the physical characteristics of the site (such as size in square miles, approximate number of buildings, size of the workforce, etc.). This section may either be textual or a list of bullets. An example follows:

Some of the factors affecting the X site's functional cost profile include:

- The X site is a multi-program laboratory with a diverse customer base (DP, EE, EH, ER, FE, FM, NN, RW, Work for Others).
- The X site occupies 450 square miles with the associated logistics/infrastructure.
- There are five major site-operating complexes. Approximately 2,000 people work at each location.

Examples of operational mission include:

- Environmental - clean up legacy environmental problems. Life cycle (estimated at 50 to 70 years) waste cleanup activities which include: transuranic - 50,000 cu/m, Low level - 120,000 cu/m, high-level - 20,000 cu/m
- Research and Development - examples are bioprocessing, chemical separation, materials science, sensors, etc.
- Manufacturing

**Trends** - Provide an explanation of:

1. The trend in total Functional Support Costs from FY 1997 to FY 2001.
2. The trend in total Functional Support Costs as a percentage of total site costs from FY 1997 to FY 2001.
3. Major anomalies in the year-to-year data for any of the categories.
4. Major cost drivers that may cause a site's costs to appear out of line with similar sites.

For each of these explanations:

1. Always include in the text the dollar amount of the change or item being explained.
2. When the reason for a change is a transfer or recategorization, be sure to show the dollar amount of the transfer/recategorization, as well as both the category from which the funds were transferred/recategorized and the category to which the funds were transferred/recategorized.

### COST SAVINGS INITIATIVES

Briefly describe major cost savings initiatives over approximately the period of FY 1997-2001. Also, briefly describe any anticipated significant future cost savings initiatives.



## Functional Cost Reporting System - Definitions

8. **Information/Outreach Activities** - Costs associated with media communication, public relations, technology transfer, technical information management, educational programs, employee outreach program, stakeholder-related outreach, activities contributing to the development of the local/regional economy, and other information or outreach activities such as HBCU and other university-related activities, including stakeholder agencies and Washington, DC, liaison activities. This category includes:

### **Information Outreach Activities**

**Public Relations/Information** - Includes all costs associated with activities which provide non-technical information about the M&O Contractor, and its activities to the general public, news media, etc.

**Technology Transfer** - Includes all costs associated with activities that encourage the further development of promising technologies; disseminate information to appropriate researchers, organizations, industry, governmental bodies, and other institutions; and other activities that assist in effecting the introduction of technologies into the marketplace.

**Technical Information Management** - Includes all costs associated with activities to develop and make available technical information.

**Employee Outreach Programs** - Includes all costs associated with activities by employees utilizing their technical expertise for the benefit of external stakeholders.

**Other Information Outreach Activities** - Includes all costs associated with other outreach activities that are not defined above.

**Stakeholder-Related Outreach** - Community relations and education programs to promote enhanced understanding of the site by local and state stakeholders.

9. **Information Services** - Costs associated with Automated Data Processing (ADP) Services (central computer facilities, and service organizations, including business and scientific), Communications (mail, both electronic and hard copy including postage, subcontracted delivery services, etc.), Networking (groups of computers that communicate with each other, share peripherals, and access remote hosts or other networks), and Telecommunications Services (communication by electronic submission of impulses over telephone/optic lines including cell phones). Include pagers and related systems, but not the maintenance of these systems. Also include computer leases. Do not include computer bill-out rates in any other functional category. This category includes systems analysts/programmers; however, specific systems management and administrative costs for various business and scientific systems should be included in their respective functional categories (Note: Dedicated scientific activities, experiments,



## Functional Cost Reporting System - Definitions

disposal of wastes. Activities include characterization and certification of waste to ensure its proper treatment or disposal; waste handling and temporary storage activities, such as operation of 90-day satellite accumulation areas for the storage of hazardous waste; operation and management of all waste treatment and disposal systems; and final disposal of all wastes.

- 12. Safety & Health** - Costs associated with safety and health programs, such as emergency preparedness, fire protection, industrial hygiene, industrial safety, occupational medical services, nuclear safety, work smart programs, radiation protection, transportation safety (does not include traffic management functions - include this item in logistics), and management oversight. Further definitions are as follows:

**Emergency Preparedness** - Emergency Preparedness includes all those activities that are intended to provide personnel with a special capability to respond to incidents and accidents. Activities in this area include maintenance inspection of emergency facilities and equipment; emergency response team personnel training, drills, and exercises; maintaining and updating of current emergency plans based on site specific safety analyses; coordination with State and local authorities and Federal Agencies. Plants and equipment that are part of safety systems relied upon to prevent or mitigate accidents (HVAC process monitors, etc.) are not included in this area, but are addressed in Industrial Safety or Nuclear Safety. The physical plant and equipment provided for normal and emergency egress are addressed in Industrial Safety.

**Fire Protection** - Fire Protection includes all those activities that are intended to prevent, detect, alert, and suppress fires. Activities in this area include fire prevention; fire detection; fire suppression systems; related inspections and testing; fire fighting and emergency response, loss prevention; operation of ambulances and fire fighting equipment; testing and inspection of fire protection equipment and alarm systems; flammable and explosive material control; training certification to NFPA, state and local requirements; review of construction and design plans for fire hazards; and mutual aid agreements with local authorities. This area excludes those fire protection activities and/or systems that are solely for the benefit or protection of nuclear systems, storage areas, and/or processes (e.g., glove box inerting systems). These excluded activities are to be included in Nuclear Safety.

**Industrial Hygiene** - Industrial Hygiene includes all those activities that are intended to provide protection to workers from physical and physiological hazards. Activities in this area include engineered/redesign of tasks, ventilation, substitution of less hazardous materials (such as asbestos abatement program administration, but not removal), written and verbal communication of real and perceived hazards, personnel



## Functional Cost Reporting System - Definitions

**Transportation Safety** - Transportation Safety includes all those activities that are intended to ensure safe packaging and transportation. Activities in this area include packaging certification; coordination of intra-building and on-site movements and transfers; off-site and international shipments; transportation (including marking and labeling) of material; maintenance inspection of transportation equipment; testing and technology of transportation operators; aviation safety; motor vehicle safety; water craft safety; and rail safety.

**Management and Oversight** - Management and Oversight includes all those activities that are intended to coordinate, direct, integrate, and control S&H activities across multiple areas. Activities in this area include S&H documentation and document control activities; configuration management; S&H performance trending, analyses, and lessons learned feedback; corrective action tracking; S&H self-assessment activities; dedicated internal S&H personnel; coordination and communication with DOE, State, and local authorities; internal audits and surveillance; external S&H program reviews; operational readiness reviews; and performance and documentation of comprehensive safety analyses. Nuclear safety analyses are included in Nuclear Safety. Program elements such as quality assurance, management systems, oversight, and physical infrastructure are inherent to all areas and are intended to be accounted for in the specific areas.

13. **Facilities Management** - Costs associated with facilities and their ability to function effectively, such as plant and maintenance engineering, facilities remodeling (if it does not meet the capitalization criteria), facilities utilization analysis, modification and upgrade analysis, facilities planning and condition determinations, rental of buildings/land.

Facilities Management includes:

**Engineering** - Activities including facility engineering such as HVAC systems, facility electrical/mechanical activities, and repair and maintenance analysis.

**Rental of Buildings/Land** - Activities including leases, rental, and any real property third party financing agreements. Lease costs should be foot noted since they materially affect year-to-year trends. (Note: Include trailer leases in this category; include set-up and tear down in Maintenance.)

**Other** - Includes all other activities involving facilities management/plant engineering not defined above.



## Functional Cost Reporting System - Definitions

associated with contract services in support of utilities, such as fuel, water treatment chemicals, and control systems, (also include energy management related activities).

Utilities include:

**Central Steam Facility** - Including the fuel handling and storage facilities, all assigned personnel, and the main steam distribution system.

**Central Chilled Water Facility** - Including all assigned personnel and the main chilled water distribution system.

**Water Supply System** - Including wells, treatment facilities, storage tanks, the main distribution system, and all assigned personnel.

**Sanitary Waste Disposal System** - Including the main collection system, refuse collection (internal as well as contracted services), treatment facilities, and all assigned personnel.

**Electrical Power** - Distribution system including main substations and high-voltage distribution systems, and all assigned personnel, as well as all electricity purchases.

**16. Safeguards and Security** - Includes all costs associated with the development and implementation of a Safeguards and Security Program to protect nuclear materials, nuclear weapons, classified information, and government property from theft, sabotage, espionage, or other acts that may cause adverse impacts on national security or to the health and safety of the public and the employees.

Specifically includes the following:

**Program Direction** - Includes all persons and operating costs for program management, vulnerability assessment, Safeguards and Security alarming process, professional development and training, inspections, surveys, assessments, facility approval (including Foreign Ownership, Control, or Influence), tests and evaluations, policy oversight and administration, and technology development oversight and program management, associated with the Safeguards and Security Program.

**Protective Forces** - Includes all personnel and operating costs associated with Protective Forces. This includes such things as salaries, overtime, benefits, travel, materials and supplies, uniforms, equipment, facilities, vehicles, helicopters, training, communications, Federal and contractor management, and oversight of protective forces.



## Functional Cost Reporting System - Definitions

inspection services, quality assurance audits, occurrence reporting (such as ORPS), development of quality program plans, operational readiness review coordination and other activities related to ensuring the quality assurance of site operations and facilities. This does not include costs incurred for weapons stockpile certification.

19. **Laboratory/Tech Support** - Measurement and testing conducted within the context of sampling, field investigations, analytical chemistry, and other similar studies. Includes the cost of other technical support services/activities, such as non-destructive assay, electronics services, machine shops, etc

### C. Site Specific

20. **Management/Award Fee/Incentive Fee** - The management allowance is an amount paid to not-for-profit educational institutions for the equivalent of home or corporate office G&A expenses. The award and incentive fee is a fee that is paid to a contractor based on performance and includes shared savings incentive payments (such as cost savings incentives).
21. **Taxes** - Includes state and municipal taxes, as well as "payments in lieu of taxes." Does not include taxes which are payroll related.
22. **Laboratory Directed Research and Development (LDRD)** - Costs incurred in accordance with DOE Order 413.2 for the purpose of pursuing new and innovative scientific concepts of benefit to the DOE. Also includes LDRD administrative costs.

### D. Mission Direct:

23. **Mission Direct** - All costs not included in General Support, Mission Support or Site Specific categories. This section captures program activities which include scientific, engineering, production operations, decommissioning, decontamination, remediation, etc. To be categorized by the Assistant Secretary.
24. **Capital/Construction** - Prime capital and construction costs related to line items. Capital equipment (CE) and General Plant Projects (GPP). Does not include costs that appropriately belong in a general support, mission support, or site specific category.